

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees – In House Meeting

May 10, 2016 – 9:00 a.m.

Members present:

JON HARRIS, Chairperson, term expiring– July 1, 2019

JUSTIN NORRIS, Active Member Representative, term expiring July 1, 2017 – via telephone

LINDA DELIDUKA, VRTA Alternate representative, term expiring July 1, 2016

DEBORA PRICE, Representing Secretary of Agency of Education

DANIEL RADDOCK, Financial Regulation Representative

ELIZABETH PEARCE, VT State Treasurer

Members absent:

JOSEPH MACKEY, Vice-Chairperson, VRTA representative, term expiring July 1, 2016

Active Member Alternate Representative – vacant

Also attending:

Laurie Lanphear, Director of Retirement Operations

Joshua McCormick, assistant to Kathie Kretzer

Mark Hage – Vermont NEA

Perry Lessing, Active Vermont Teacher

The Chairperson, Jon Harris called the Tuesday, May 10th, 2016, meeting to order at 9:04 a.m., which was held in the Governor's Fourth Floor Conference Room, fourth floor, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of:

- April 14, 2016

On motion by Ms. Deliduka, seconded by Ms. Price, the Board voted unanimously by roll call to approve the minutes of April 14, 2016, as submitted.

ITEM 2: Consideration for Perry Lessing – Active Alternate Trustee Vacancy

The Board introduced themselves to Mr. Lessing. Mr. Lessing spoke with the Board about his interest in becoming a trustee for the VSTRS Board. Mr. Harris and Ms. Pearce spoke to Mr. Lessing about the duties and responsibilities of the VSTRS Board and its trustees.

On motion by Ms. Pearce, seconded by Ms. Deliduka, the Board voted unanimously by roll call to appoint Perry Lessing as the Active Member Alternate Representative to the VSTRS Board through 6/30/2017.

ITEM 3: VEHI Update

Mr. Hage introduced himself to the new members of the Board as a co-Trust Manager for VEHI, and gave an overview of changes over the past few years for VEHI. He stated that on 12/31/17, current grandfathered and non-grandfathered plans for active employees and their dependents will close and school districts that elect to stay with VEHI will transition to 4 new plans, effective January 1, 2018, that are ACA compliant and non-grandfathered. This particular transition will not affect VSTRS retirees and their dependents.

There was also discussion about small and large school districts, and whether VEHI will be permitted to serve both in 2018. Mr. Hage stated that VEHI is very confident that it will succeed, with the Department of Financial Regulation's approval, in amending its operational plan to serve both small and large schools, as well as VSTRS. VEHI is now in the final stages of talks on this matter with DFR, and will contact VSTRS when that process is finished. Mr. Hage also commented on recent state legislation that bars large employers in Vermont, including schools, from purchasing health plans from Vermont Health Connect.

Mr. Hage also said that VEHI is pursuing a move, consistent with its desire to continuing serving small and large school districts, to becoming an ASO (Administrative Services Only) entity under the regulatory authority of DFR. Further, if VEHI becomes an ASO, it would continue to partner with Blue Cross Blue Shield of Vermont and carry the risk of covering its members' claims; the only noteworthy change in regard to the latter is that BCBSVT will be removed from its obligation to cover claims for 30 days if VEHI was unable to do so.

Ms. Pearce and VEHI representatives will meet to discuss how the transition to new health plans for active employees in 2018 may impact the costs of health insurance benefits for VSTRS, including the OPEB liability. In this regard, Ms. Pearce and Mr. Hage will help to arrange a discussion between actuaries at Buck and BCBSVT in the near future.

On motion by Ms. Pearce, seconded by Ms. Price, the Board voted by roll call to extend the VEHI contract through 6/30/2017, subject to waiver and subject to review of the implications to the OPEB liability based on the planned changes to the system.

Daniel Raddock abstained from the vote.

The Board discussed the option of adding an Acupuncture Rider policy at a rate of \$85,000 per year for retirees only. After discussion, the Board decided to defer this topic until more information is obtained. Mr. Hage will contact Blue Cross Blue Shield to find out what the terms and co-pays are for the rider policy, and what VEHI plans the rider policy could be added too. The Retirement office will outreach to Human Resources for information on the acupuncture coverage offered to state employees, as well as usage for active and retired state employees. Research would need gathered to see what impacts this would have on the OPEB liability.

ITEM 4: Administrator Contract

Ms. Lanphear advised the Board that the "School's District's Certification of Compensation" form may not be solving the total compensation issue for some of the administrative employees. She stated that some of the school contracts have had language changes and the retirement office has been reviewing these contracts line by line.

On motion by Ms. Pearce, seconded by Ms. Deliduka, that Board voted unanimously by roll call to authorize the Retirement Office to review any cases in question with the Attorney General's Office.

ITEM 5: Contract Extension for Buck Consultants and Actuarial RFP

Ms. Pearce advised the Board that the KPMG auditors have asked for a waiver to extend the contract for Buck Consultants while GASB 67/68 is still being performed. The first round of the GASB 67/68 auditing has been completed.

On motion by Ms. Pearce, seconded by Ms. Price, the Board voted unanimously by roll call to extend the contract for Buck Consultants to 12/31/16, subject to waiver from the administration, subject to negotiations by the Treasurer's Office, and subject to completing an RFP for Actuarial Services effective January 1, 2017.

ITEM 6: VPIC Sub-Committee Update

Ms. Pearce advised the Board on VPIC's history and duties. She also gave an overview of the resolution from the House and Senate Government Operations ruling a non-binding sub-committee be formed to research divestment from fossil fuels. The sub-committee consists of Ms. Pearce, the VPIC chairperson, Tom Golonka, VPIC members Linda Deliduka and Karen Paul, and the chairpersons of the VSERS, VSTRS, and VMERS Board of Trustees. This sub-committee met with stakeholders and interested parties on 3/18/16, to discuss parameters for what a review of divestment would encompass.

On April 13, 2016, the sub-committee held its first formal meeting. The sub-committee decided to pursue three tracks of review: the ExxonMobil holding, coal holdings, and the larger case of fossil fuels in general. The sub-committee also determined that its current advisor, NEPC LLC, would participate in partnership with a second firm. This second firm's cost will not come from the pension system. Ms. Pearce also stated the next sub-committee meeting will include an overview of the fiduciary responsibilities as they relate to pension investments.

ITEM 7: Legislative Update

Ms. Pearce advised the Board that the Miscellaneous Retirement Bill has been passed by both the House and the Senate and is awaiting the Governor's signature.

Ms. Pearce advised the Board that as part of the Appropriations Bill, the Annual Actuary Required Contributions (AARC), will be fully funded. It is anticipated that \$3.7 million will come from Federal grants. Ms. Pearce also advised the Board that the amortization finance proposal, which was part of the Appropriation Bill, has passed.

Mr. Norris left the meeting at this time.

ITEM 8: Trustee Materials – Good Reader Site

Mr. McCormick went over with the Board, the trustee reference materials that were loaded on the good reader site and took suggestions of other materials to add. An orientation meeting will be set up with the Ms. Pearce, Mr. Harris, and new trustees.

ITEM 9: Any other business to be brought before the board

Ms. Price provided the Board with updates for Teacher certification.

Ms. Pearce advised the Board that the retirement office is researching the process of private schools and how it pertains to VSTRS.

ITEM 10: Adjournment

On motion by Ms. Pearce, seconded by Mr. Harris, the Board voted unanimously to adjourn at 11:52 a.m.

Next Meeting Date:

The next scheduled VSTRS meeting is a conference call meeting, June 9th, at 3:30 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joshua McCormick', written in a cursive style.

Joshua McCormick
Assistant to Kathie Kretzer